Opening Statement for Robert C. "Bobby" Scott
Committee on Education and the Workforce
Hearing on "Reviewing the President's Fiscal Year 2016 Budget Proposal for the Department of Labor"
March 18, 2015
10:00 am

Thank you, Mr. Chairman and thank you, Secretary Perez, for being with us this morning.

The United States has emerged from the depths of the great recession, and job creation has resumed at a consistent, if not robust pace. The question before us is whether we will choose to pursue prosperity economics or austerity economics? What will new jobs look like, and will they be living wage jobs or poverty wage jobs? Will our priorities concentrate wealth in the hands of the top 1% or will our policies grow and strengthen the middle class?

The choices we make here in Congress, and here in this Committee, will shape that answer. The President's budget recognizes this reality and proposes a way to make the investments our country needs by responsibly ending sequestration. Democrats and many Republicans agree that the mindless cuts mandated by sequestration are bad policy and do not benefit our economy or our national defense. But instead of addressing the situation head on, the debate has focused on extending tax cuts for the wealthiest Americans while robbing the country of resources needed for education, infrastructure and research. Keeping the sequester means federal support for pre-K to 12th grade would be less than we spent back in 2000. On the other hand, if the automatic spending cuts required by sequestration were cancelled, employment would be higher by 300,000 to 1.6 million jobs, according to last year's CBO analysis.[1]

The Department of Labor's budget comes before us at a time when the private sector has experienced 60 consecutive months of job growth – the longest uninterrupted stretch of private sector job growth on record. The economy has created over 200,000 private sector jobs for 12

[1] http://www.cbo.gov/publication/44445

consecutive months – growth unmatched since the 1970s.[2] All of these statistics show clearly that we are on the right track. Despite this progress, some 17.5 million remain unemployed or working part time when they seek full time work.[3]

Meanwhile, inequality in this country has grown. Most new jobs are lower wage ones,[4] and the fruits of economic recovery have flowed almost exclusively to the top 1%, who captured 95% of the income gains in the first three years of the recovery.[5] The DOL's priorities and budget request seeks to narrow this extreme and growing economic inequality in our country, while closing the pay gap between men and women.

The link between productivity gains and wages in our economy has been broken for most Americans for the past generation.

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[2] Statement of US Labor Secretary Perez on February 2015 employment numbers. U.S. Department of Labor. http://www.dol.gov/opa/media/press/opa/opa20150358.htm

[3] Chart: A more comprehensive measure of slack in the labor market. The State of Working America. Economic Policy Institute. http://stateofworkingamerica.org/charts/number-of-underemployed/

[4] The Low Wage-Recovery: Industry and Employment and Wages Four Years into the Recovery. (April 2014). http://www.nelp.org/page/content/lowwagerecovery2014/

[5] International Monetary Fund, *Fiscal Policy and Income Inequality*, IMF Policy Paper (January 23, 2014). http://www.imf.org/external/np/pp/eng/2014/012314.pdf. Total income (also market income) is all earned and unearned income (wages, capital gains, interest, business income) excluding taxes and transfer payments.

[Chart 1]

From 1973 to 2013, hourly compensation of a typical worker rose just 9 percent in real terms while productivity increased 74 percent. This means that workers have been producing far more than they receive in their paychecks and benefit packages from their employers.

Standard & Poors, one of the companies that rates the creditworthiness of government and corporate debt for Wall Street, has studied whether the U.S. economy would be better off with a narrower income gap. Standard and Poors has reduced its projections for annual growth from 2.8 percent down to 2.5 percent due to widening inequality. Again, let me repeat that point—economists on Wall Street are telling us that extreme inequality is holding back economic growth.

[Chart 2]

This next chart illustrates the extraordinarily rapid growth of annual wages for the top 1 percent compared with everybody else: Top 1 percent wages grew 138 percent, while wages of the bottom 90 percent grew just 15 percent between 1979 and 2013.

What we are discussing today is whether to we need to change the policies that cause the majority of gains in our economy to concentrate disproportionately at the top, on the premise that it eventually trickles down to the rest of us, or whether we need to adopt policies and budgeting that will make public investments in training, infrastructure, and research in order to produce sustainable growth.

And we know there are concrete steps that we can take to move in the right direction. It's unconscionable to allow workers to be paid wages that can't even keep them above the poverty line. A raise in the minimum wage is overdue and it's the right thing to do. The minimum wage, adjusted for inflation, would have increased to over $18 per hour had it kept pace with productivity.

Another concrete step we can take is to protect retirees and their hard earned retirement savings to ensure that our fellow Americans can rest with dignity after a lifetime of hard work. While still on the job, we need to make sure workers enjoy the protections they need to stay safe and healthy. Economic growth and strong regulatory protections are not mutually exclusive.   Let us not forget that it was the absence of regulation that allowed Wall Street to run amok, and cause a credit freeze in 2008 that destroyed nearly 800,000 jobs per month.

Finally, I know that Secretary Perez remains focused on what works to prepare the nation's workforce for the jobs of today, and more importantly, the jobs of tomorrow. These priorities are reflected through the Department's budget which focuses on expanding the middle class in many ways, including funding for summer jobs, opportunities for disconnected youth, apprenticeships, and programs that expand access to in-demand jobs.

Mr. Secretary, we look forward to hearing more about your Department’s agenda and your vision for a more prosperous economy and a more prosperous middle class.